

Due Diligence and Valuation Report

Arrowhead Code: 19-17-02
 Coverage initiated: March 27, 2019
 This document: April 12, 2019
 Fair share value bracket: AUD 0.79 and AUD 1.03
 Share price (April 12, 2019): AUD 0.11ⁱ

Analysts

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Market Data

26-Week Range: AUD 0.08 – AUD 0.24ⁱⁱ
 Average Volume (3M): 78,382ⁱⁱⁱ
 Market Cap (April 12, 2019): AUD 12.9 million (mn)^{iv}

Financial Forecast (in CAD) (FY Ending – Dec.)

CAD	19E	20E	21E	22E	23E	24E
High NI ('000)	(2,180)	(2,550)	(10,337)	(4,804)	38,922	44,474
High EPS	(0.02)	(0.02)	(0.09)	(0.04)	0.35	0.40
Low NI ('000)	(2,131)	(2,442)	(10,157)	(14,454)	27,263	32,325
Low EPS	(0.02)	(0.02)	(0.09)	(0.13)	0.25	0.29

Company Overview: Headquartered in Canada, Black Dragon Gold ("BDG," "the company") is a junior mining exploration company engaged in the acquisition, exploration and development of prospective precious metal, base metal and other mineral exploration projects worldwide. Incorporated in 2007, the company is currently focused on bringing its 100% owned Salave Gold Project in Asturias (Spain) into production. BDG has 5 mining permits and 1 investigation permit on its Salave mines. The company's CHESSE Depository Interests (CDIs) trade on the Australian Exchange (ASX) under the symbol 'BDG'.

Recent Updates: BDG announced the Preliminary Economic Assessment (PEA) results in February 2019, with a measured and indicated resource of 8.2 mn tons and a gold cut-off grade of 2.0 grams/ton (g/t). This has immense potential for scaling revenues upto ~70 bn CAD by 2036 (end of life of mine). The results showed a robust and plausible pre-tax Internal Rate of Return (IRR) between 28% to 35% and a payback period of 3.8 years. BDG also successfully completed a seven-hole confirmation drilling program in 2018 with positive results - the floatation recovery rate is estimated to be as high as ~97% compared to an industry average of ~95%. The mining, processing and general and administration (G&A) costs are estimated to be at USD 57/ton compared to an industry average of USD 74/ton. The company is now working diligently towards submission of the Environmental and Social Impact Assessment (ESIA) and the Pre-Feasibility Study (PFS) - scheduled to be released



Company: Black Dragon Gold Corp
 Ticker: BDG
 Headquarters: Vancouver, Canada
 CEO: Paul Cronin
 CFO: Sean Duffy
 Website: www.blackdragongold.com

towards the end of 2019. This will help to fast track the company's target to ramp up production by 2022. In addition, BDG also received a 30- year extension on one of its mining permits, and a 3-year extension to the Salave Investigation Permit in 2018. A progressive drilling on these permits are expected to be done by Q3 2019. Apart from this, the company has restructured and strengthened its balance sheet by raising equity to pay off the RMB loan and cover other expenses. It had a healthy cash balance of CAD 3.6 mn on December 31, 2018, and this is sufficient to cover the company's operating expenses until the project financing stage. BDG also bought out the 2% Net Smelter Returns (NSR) royalty and this will translate into lower operating expenses in future. It has also revamped its management team by hiring industry professionals with vast experience who can help the company achieve its goals in a faster and more efficient manner.

Key Highlights: (1) Positive PEA outcome; (2) Vast land availability (~3,400 hectares - ha) and required mining permits in place; (3) Deleveraging balance sheet; (4) Sufficient cash balance for covering operating expenses; (5) Low time gap between mine development and production; (6) Higher ore grade and floatation recovery rate; (7) Quicker infrastructure layout with low upfront capex; (8) Strong management and technical team with vast industry experience; (9) Low sovereign risk owing to company friendly jurisdiction and mining regulations; (10) Supporting infrastructure and logistics; (11) Presence of highly skilled workforce.

Key Risks: Gold price volatility, financial risk, and risk arising from any changes in laws, permits or regulation.

Valuation and Assumptions^v: Given the due diligence and valuation estimates, Arrowhead believes that BDG's fair share value lies in the AUD 0.79 to AUD 1.03 bracket calculated using blended valuation method, with equal weightage to Net Present Value (NPV) method and Relative Valuation method. Our NPV model suggests a fair value bracket of AUD 1.30 to AUD 1.79, while Relative Valuation provides a fair value of AUD 0.27.

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1. Investment Thesis

Salave Gold Project – A Company Maker or Breaker?

1) Positive PEA outcome de-risks the Salave Project and increases confidence in achieving the mining prospects

BDG released its PEA in February 2019 and the results re-affirm the confidence in the company's operations to fast track its production and generate value for its shareholders. BDG received positive results from the PEA completed on its Salave Gold project in Spain. The PEA was based on the updated Mineral and Resource Estimates published by the company in October 2018. The results underlined the potential economic viability of the Salave resource to be mined over an initial 14-year life of the mine (LOM). The report concluded that Salave could produce over 1.1 mn ounces (oz) in concentrates.

Exhibit 1: Key PEA Outcomes^{vi} - A Positive Indicator for Salave Project Development	
Parameter	Estimates
Pre-Tax NPV at 5% discount rate	Ranges between USD 239.2 mn and USD 353.2 mn with base case at USD 296.2 mn
After-Tax NPV	Ranges between USD 184.7 mn and USD 273.9 mn with base case at USD 230.0 mn
Pre-Tax IRR	Between 23% and 35% with base case at 28%
After-Tax Payback	3.8 years
Pre-Production Capital Cost (including contingency)	USD 95.3 mn
LOM Sustaining Capital Cost	USD 19.3 mn
Estimated Average LOM Total Cash Cost	USD 675 - USD 783 per oz gold
Estimated Average LOM All-In Sustaining Costs (AISC)	USD 699 - USD 807 per oz gold

2) Vast land and resource availability and required mining permits in place; can translate to non-delay in achieving drilling and mining activities

The Salave Project comprises 5 concessions and 1 investigation permit, which covers an area of ~3,427 ha. The current mineral resource at Salave is confined to a 25-ha area, while the permit covers over 2,765 ha primarily to the south of the current Salave deposits. Given the fact that there has been little, or no exploration done on this vast land of 2,765 ha, there is a high probability of an increase in the indicated resources with further drilling being conducted. Any increase in the indicated resources is expected to increase the quantity produced by the company in the long run.

Exhibit 2: Current Potential Mineralization^{vii}				
Category	Salave Mineral Resource Estimate at a 2.0 g/t Gold Cut-Off Grade			
	Tons		Au	
	Mn	g/t	'000 oz	mn oz
Measured	1.0	5.6	190	0.19
Indicated	7.2	4.4	1,020	1.02
Measured & Indicated	8.2	4.6	1,210	1.21
Inferred	3.1	3.5	350	0.35

Exhibit 3: BDG Investigation Permit /Concessions on Salave Gold Project				
Concession/ IP Name	Registration Number	Area (ha)	Date Granted	Expiration Date
Concessions				
Dos Amigos	24.371	41.99	September 10, 1941	October 10, 2045
Salave	25.380	67.98	April 10, 1945	October 10, 2045
Figueras	29.500	304.57	January 25, 1977	January 25, 2037
Ampliación de Figueras	29.969	79.84	November 09, 1988	November 09, 2048
Segunda Ampliación de Figueras	28.820	167.59	September 16, 1981	September 16, 2041
Subtotal		661.97		
Investigation Permit				
IP Salave	30.812	2,765.00	February 18, 2014	November 15, 2021
Total		3,426.97		

Due to recent drillings, BDG also found significant opportunity on its north west (NW) – south east (SE) strike of the existing resource envelope. The available grade correlates well to alteration, thus indicating strong potential for NW & SE extensions. The scheduled - highly prospective - drilling program for the year 2019 will test the mineralization potential along NW-SE and NE-SW (south west) corridors, along with updating the inferred resources to indicated resources.

As far as the permits are concerned, BDG received a 30-year extension on the Ampliacion a Figueras mining Permit, and a 3-year extension on its Salave Investigation Permit, from the government of Asturias. This extends the Ampliacion a Figueras mining Permit till 2048 and the Salave Investigation permit till the end of 2021. This extension ensures smooth functioning of the mining and drilling activities, free from any regulatory or mining hurdles.

The company is also expected to submit the project description for the Environmental and Social Impact Assessment (ESIA). Additional geophysics over the entire investigation permit at Salave are expected to be carried out in April 2019. Issuance of the ESIA terms of reference and soil geochemistry testing on potential drill targets is expected to be carried out in June 2019, followed by the pre-feasibility study in October 2019. If these permits are received as per the stipulated timelines, this will lead to non-delay in execution of the mining exploration activities. It will also help in faster ramp up of the gold concentrate production.

3) Deleveraging balance sheet bodes well for BDG

BDG successfully restructured its balance sheet, and paid off the RMB debt in July 2017, recording a gain of USD 7.9 mn on the settlement. The new executive team recapitalized the company through raising new equity to the tune of 8.5 mn via a successful non-brokered private placement in June 2017, which helped the company pay off its RMB loan. In October 2017, the company closed another round of private placements, amounting to CAD 990,000.

Exhibit 4 illustrates the improvement in BDG’s financial position from 2016 to 2018. BDG’s balance sheet has strengthened markedly over the past 18 months as the company has restructured and rescheduled its debt by swapping it with equity. The reduction in debt burden is reflective of the management’s efforts to clean up the financials, and this bodes well for the company’s strategy of remaining debt-free until production.

Exhibit 4: Snapshot of the Balance Sheet Restructuring ('000 CAD)^{viii}

Parameters	FY16	FY17	FY 2018
Interest Payable	1,794	28	43
Loan Facility	10,499	-	-
Cash and Equivalents	106	1,753	3,582
Share Capital	13,166	19,696	23,117
Warrants	-	3,165	4,725

4) Sufficient cash balance for covering operating expenses until project financing stage – A Positive

BDG had a cash and cash equivalents balance of CAD 3.6 mn on December 31, 2018. This amount is sufficient to cover the company’s expenses related to mining and exploration and other overheads for the next couple of years. The availability of resources for funding the expenses without the need to raise debt until the project financing stage reasserts the belief that the company is expected to have a healthy financial position in the near-term visibility.

BDG also outrightly bought the NSR royalty and is therefore no longer exposed to the 2% NSR royalty on the first 800,000 oz of gold produced from the company’s Salave Project.

Hence, a healthy cash position coupled with no obligation to pay the 2% NSR royalty ensures that majority of capital will be deployed in bringing the Salave project closer to its developmental phase.

5) Low time gap between mine development and production to enable faster ramp up in production

Since the Salave mine is a small mine and has a high-grade gold resource, the time gap between development and production is expected to be short. The mine construction & development is expected to be completed by 2021, and accordingly, the company is expected to go into production by 2022. Thus, the short time gap brings in more visibility into the company’s future cash flow generation timelines.

6) Higher ore grade and floatation recovery rate to boost production and margins

The Salave mine has a cutoff grade of 2 g/t of gold and a gold grade concentrate of 59.71 g/t of gold. The floatation recovery rate is 97%, and this is higher compared to the industry average of ~94%. This bodes well for the company as it ensures higher recovery of gold concentrates from the ore, thus bringing in more efficiency to the entire process of producing gold concentrates. Higher ore grade also commands higher margins albeit the production is to kick off in 2022.

7) Quicker infrastructure layout with low upfront capex – A Competitive Advantage

The targets identified in the Salave mines are attractive, given the shallower depths and high-grade intersections along the Salave belt. This can also be substantiated with the high-grade gold intervals resulting from the 2018 drillings, and it demonstrates great potential to expand new mineralized lenses at Salave. Thus, its shallow depth and proximity to infrastructure may result in minimal - possibly the lowest in its peer group - capital costs to develop this project, along with a shorter frame for laying out the infrastructure. As a result, faster ramp up of production is expected for the company.

8) Strong management and technical team with high industry experience to act as growth catalysts

BDG appointed a new board in July 2017 with a core focus on growth and driving the business towards achieving production. The incoming board of directors and management have significant experience in operating exploration and predevelopment mining projects, particularly in Europe. They have a strong track record of fast-tracking projects and resolving permitting, social and technical issues. A local Asturian resident general manager was also appointed in October 2017 to bolster an experienced in-country management team. Thus, the company now has in place an in-country executive team comprising experienced Spanish mining personnel.

A growth-focused management team and a highly specialized technical team are expected to act as growth catalysts in delivering output in a consistent and sustained manner, thus increasing the long-term shareholders' wealth in the process.

9) Supporting infrastructure and logistics + company friendly jurisdiction + presence of highly skilled workforce = Low Sovereign Risk

Spain has an established infrastructure network due to the legacy of historical mining in the region. The infrastructure, particularly its road, rail and power network - provides cost advantages in terms of both capital and operating costs for mines. Further, high metal deposits and large presence of mining companies in the country have led to clear mining legalizations in Spain – thus making it an excellent jurisdiction for mining companies. With regards to the Salave mines, availability of paved motorways, good power supply on site, along with water supply in close proximity to the mine site, provide quick turnaround on all things necessary to ensure operation and maintenance of the Salave project.

There is also an extensive availability of labor force comprising highly skilled engineers, geologists and environmental scientists, who are very competitive in terms of timely delivery, price and quality.

Thus, all the above-mentioned traits pose low threat from such externalities and ensure smoother functioning of the company's operations.

Other company premiums...

Co-operation agreement with Panterra Gold: BDG has entered into a co-operation agreement with Panterra Gold to identify a possible site for Albion CIL plant, in addition to floatation facility. The company is also looking forward to signing offtake agreements with partners for selling its gold concentrate, once in production.

Favorable project economics: Positive economics related to the Salave project serve as a premium for BDG. In the base case scenario, with expected gold price of USD 1,250 per oz, the project's pre-tax NPV (5%) is estimated to be around USD 296.2 mn. If the price of gold exceeds USD 1,350 per oz, the project's pre-tax NPV (5%) is expected to rise above USD 350 mn. The project's after-tax IRR is expected to exceed 25% with a payback period of 3.8 years. The high rate of return expected from the projects speaks well of the potential profitability making the company's shares an attractive investment.

Gold buying by Central banks to have positive impact: With central banks on their biggest gold-buying spree since 1971, gold prices are expected to witness a continued upward trajectory. In 2018, central banks worldwide added 651.5 tons of gold to their reserves; a 74% YoY increase over 2017. Consulting firm Metals Focus Ltd. expects another 600 tons of gold to be acquired by central banks in 2019. This could bode well for gold mining and exploration companies such as BDG with production expected to begin by 2022. It could also help expedite the signing of off-take agreements with potential gold buyers for BDG. The expected rise in gold prices should contribute to margin expansion.

Locational advantage: The company's Salave project is located in north-west Spain in the Asturias – a region rich in coal, fluorspar, lead, zinc, and gold mining traditions. It is one of Europe's largest undeveloped gold deposits. The region is also politically and economically stable with clear mining legislation, and excellent heavy engineering, tunneling, and mining resources and skills availability. The location also has an advantage of abundant water supply, a necessity for mining companies. Thus, continuous water supply, sealed roads, closeness to transport, and steady power supply also add to the locational attractiveness of the Salave Project.

Secure tenure with extensive exploration potential: The Salave Project comprises five, 30-year-term mining concessions (renewable up to 90 years) over the resource area and an investigative permit which collectively covers an area of 3,426.97 ha. The project has significant exploration upside potential even outside of the Salave deposit.

Restraining issues resolved: Earlier, the company management had identified construction permitting issues and the RMB debt as the sole restraints on the realization of the asset's significant value, which have now been resolved. The RMB debt renegotiation resulted in booking a gain of CAD 7.9 mn on the repayment. Moreover, an associated royalty deed, which entitled RMB to 2% NSR royalty on the production of 80,000 oz, was purchased at a nominal sum of CAD 0.57 mn during 2018, thus saving the company of future royalty expenses. Having restructured its operations and cleaned off its balance sheet of the restraining debt and royalty obligations, BDG is now well-positioned to focus on shareholder wealth creation and delivery.

Corporate Social Responsibility (CSR): Efforts made by the company in promoting the social upliftment of the area surrounding its mines is a good step towards holistic development. Activities such as engaging the local community prior to and throughout the ESIA process, generating employment in the adjacent areas, educating society regarding the environmental impact of technological advances, proposing tasks which are environment-friendly in nature are some examples of the upliftment process by the company.

...However, certain risks may act as growth impediments

Environmental laws: Mining sector companies are subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. To this end, BDG has consciously been looking at the mining approach and plant throughput minimizing the amount of surface tailing. As of 9M 2018, BDG was not exposed to any contingencies raising environmental concerns.

Gold price volatility: The market for precious metals is cyclical and sensitive to changes in general economic conditions and may be subject to significant volatility. A significant and sustained decline in gold prices may render BDG's gold extraction and exploration activities less economic and may affect profitability of the company's operations.

Financing and liquidity requirements: Exploration, resource drilling, and development of mineral deposits is an expensive process, and the greater the level of interim stage success, the more expensive it can become. The company intends to remain debt-free till production and expects to start generating operating revenues only in 2022. Until then, it remains dependent upon non-debt sources of finance such as selling equity in the capital markets to provide the necessary financing for its continuing substantial exploration budgets and general operations.

Foreign currency exposure: The company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The company funds certain operations, exploration and administrative expenses in Spain by using Euros converted from its Canadian bank accounts.

During FY 2018, the company incurred a CAD 155,601 foreign exchange loss, compared with a CAD 275,189 foreign exchange gain generated in FY 2017. These variances related to the change in the USD:CAD foreign exchange rate that affected USD-denominated liabilities as well as the impact on the EUR:CAD translations.

Foreign exchange loss represented just 4.3% of the comprehensive net loss for BDG for FY 2018. The company, therefore, does not hedge its foreign exchange risk.

Licensing and regulatory requirements: The current or future operations of the company, including development activities and commencement of production on its properties, require licenses and permits from various governmental authorities. Companies operating in the mining sector are often subject to increased costs, and delays in production and other schedules, because of the need to comply with applicable laws, regulations and permits.

BDG has been managing this risk appropriately. During FY 2018, the company received a 30-year extension on the Ampliación a Figueras mining Permit, and a 3-year extension on its Salave Investigation Permit, from the government of Asturias. It has also received positive PEA economics in Q1 2019 and is on track with its application for ESIA. However, there can be no assurance that approvals and permits required to commence production on its properties will be obtained on a timely basis, or at all, in the future as well, which could potentially affect the forecasted production timelines and payback period.

Investment Thesis Conclusion:

The company is an opportunistic player in the junior explorer space. Although it's currently in the exploration stage, the lower location risk coupled with long life of BDG's assets and other advantages makes it a potential prospect. The company's focus on resource expansion, project optimization, extracting value from the existing operations and expanding through exploration are all components of a sound strategy. The core test, however, will be whether the management can deliver on the production targets and control costs along with shielding itself from the prevalent risks.

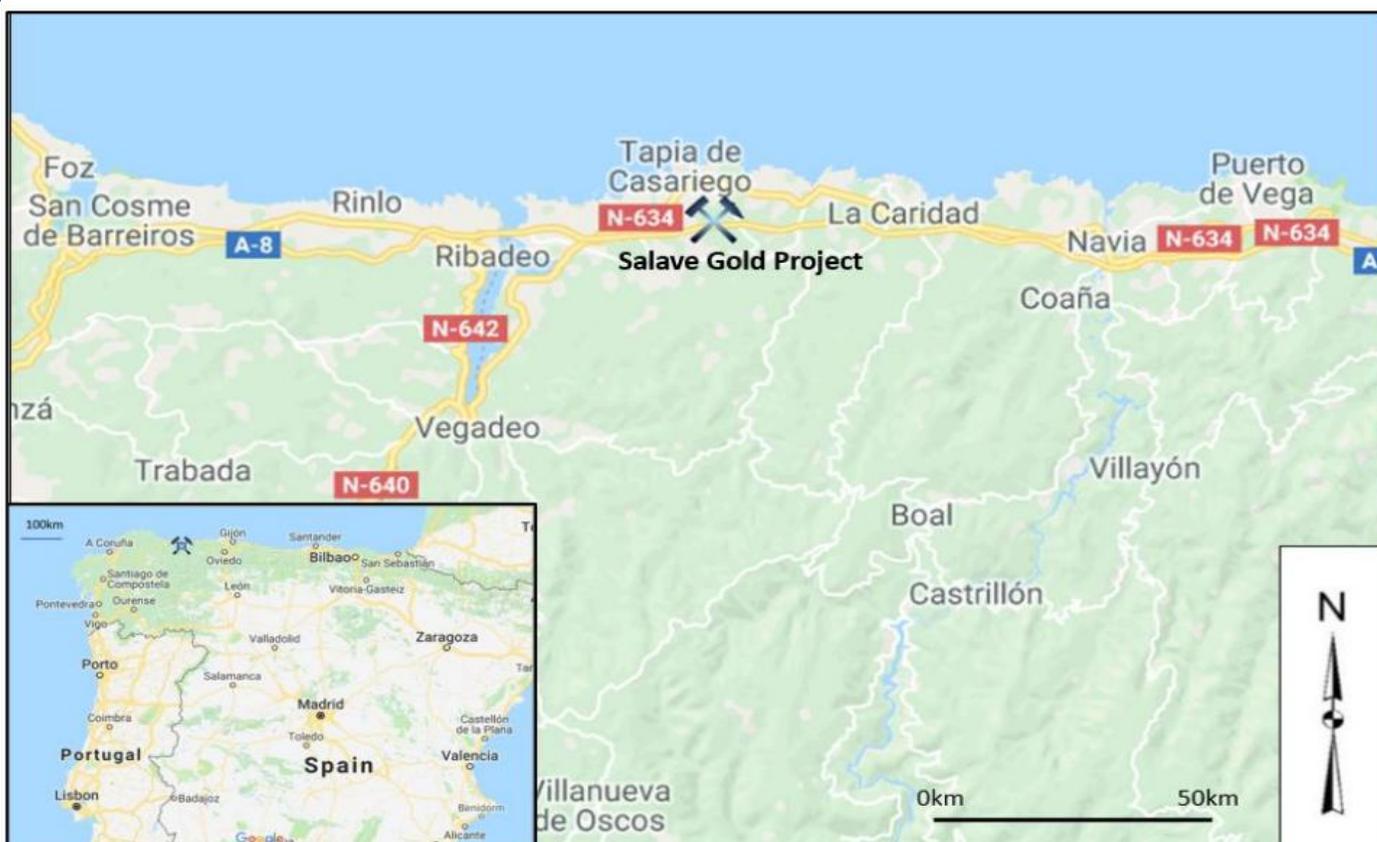
In conclusion, BDG is well-positioned to deliver on its commitments. It stands as a potential prospect and its Salave Gold Project could prove to be the 'Company Maker' in the long run.

2. Business Overview^{ix}

Incorporated under the laws of the Province of British Columbia, Canada, on August 20, 2007, BDG operates as a junior mining company engaged in the acquisition, exploration and development of gold projects. The company's head office is in Vancouver, British Columbia.

The company is presently involved in evaluating the mineralization potential of the Salave mines in Spain. This mine is located in North Western Spain, in the Asturias region. The Salave Project comprises five 30-year-term mining concessions (renewable up to 90 years) over the resource area and an investigative permit which collectively covers an area of 3,426.97 ha. Within the concession boundaries, the company owns 109,753 square mtr of freehold land over the surface mineralization. The project has had ~EUR 55 mn spent on its development and resource definition (FY 2018). The mines contain high-grade resources and there is an overall potential gold recovery rate of 96.5%.

Exhibit 5: Location of Salave Project



2.1 Financial Overview^x

On December 31, 2018, the company had a healthy cash balance of CAD 3.6 mn on its balance sheet, providing adequate support to its rising costs of mining and exploration. Being in the exploration phase, BDG has not generated any revenues until now. The general exploration costs increased substantially from CAD 47,298 in FY 2017 to CAD 798,222 in FY 2018. This increase is indicative of the exploration activities done in the Salave mines. The general and administrative expenses for the company increased 89.8% YoY to CAD 578,665, owing to activities related to the Salave mines. The professional fees decreased 65.5% YoY to CAD 117,246 in FY 2018 from CAD 339,861 in FY 2017. This fee incurred was related to the legal fees associated with the RMB debt settlement in 2017. The management fees decreased considerably by 64.5% YoY to CAD 353,510 in FY 2018 from CAD 1.1 mn in FY 2017. The difference was attributable to the severance payments made to the former management. The company also incurred a foreign exchange loss of CAD 115,601, compared to a gain of CAD 275,189 in FY 2017, due to the unfavorable currency exchange rate between USD and CAD. During FY 2018, the company incurred a loss on settlement of the RMB to the

tune of CAD 576,051. However, this loss was partially offset by extraordinary income of CAD 306,040, which was received due to the reversal of a legacy bank guarantee in Spain.

2.2 The Salave Project

BDG acquired the Salave project in 2010 and currently the project is in the development phase. The company completed a structural geological review of the deposit, from which it obtained positive indication regarding the deposits. The life of the mine is ~14 years and has the potential to be further extended. BDG received a 30-year extension on its Ampliacion a Figueras Mining Permit, and a 3-year extension to the Salave Investigation Permit from the Government of Asturias in 2018. Accordingly, the company is expected to drill based on the investigation permits by Q3 2019 and look for extensions to the Salave deposits to the north west or the south east.

2.2.1 Property Description

The Salave Project comprises 5 investigation permits, which cover an area of ~3,427 ha. Within the concession boundaries, the company owns 109,753 square mtr of freehold land over the surface mineralization.

2.2.2 Potential Mineralization

On October 31, 2018, the company upgraded its mineral resource estimates for Salave mine based on the recent exploration and diamond drilling activities. Currently, the project has a measured and indicated resource of 8.2 mn tons (at average grade of 4.6 g/t), and an inferred resource of 3.1 mn tons (at average grade of 3.5 g/t). The overall potential gold recovery rate is 97%.

2.2.3 Infrastructure

The local infrastructure is good with the area having a long history of mining. There is availability of skilled workers who can provide services to the Salave project. There is a sealed road access to the site for staff and equipment. There are plentiful water supplies available. Power is available at Tapia, which is linked to the Asturias power grid. There is an existing network of power lines that enters the property and is connected to the national network. There also are two ports nearby, for the export of concentrate.

2.2.4 Property Location

The Salave gold deposit is situated on the northern coast of the Iberian Peninsula, in the Asturias region of Spain. The nearest village is Tapia de Casariego, about 2 kilometers (km) west of the Salave Gold Project, with a population of ~2,000 people. The nearest city is Oviedo, situated about 140 km east of the project, with a population of ~226,000 people.

2.2.5 Climate

The climate in the Salave area is mild and humid with a typical average daily temperature of approximately 20°C in the summer and around 15°C in the winter. Annual rainfall average is 1,195 millimeter (mm) (ranging between 850 mm and 1,550 mm) and snow is very rare. The project can be operated all year round.

2.2.6 Drilling & Exploration

On January 23, 2018, BDG commenced a 2,200 mtr exploration drilling program on the Salave Gold Deposit following the receipt of approval from the Asturias Ministry of Employment, Industry & Tourism, as well as the Municipality of Tapia de Casariego. This drilling program was completed in April of 2018, totaling 2,217 mtr. The 2018 drilling confirmed and infilled areas of gold mineralization within the previous resource model. They also intersected high-grade intervals of gold mineralization outside of the previous resource model, at depth and down dip to the west. The resulting overall potential gold recovery is 97%.

2.2.7 Company Restructuring and the RMB loan facility

In June 2013, the company, through its subsidiary, EMC, had closed an agreement for a USD 10 mn loan facility to be provided by RMB. The facility accrued interest at LIBOR plus 6% per annum.

On July 11, 2016, the company entered into strategic agreements for its restructuring. Accordingly, during FY 2016, pursuant to an agreement, RMB granted BDG the option to repay the secured debt facility owed by it in consideration for:

- (a) a cash payment of USD 3 mn;
- (b) a 2% NSR royalty on the first 800,000 oz of gold produced from the company’s Salave Gold Project; and,
- (c) USD 6 mn if, over a three-year period, the company entered into any sale, merger or joint venture involving the Salave Project where the Salave Project was valued in excess of USD 10 mn.

The NSR royalty could have been repurchased by the company at any time until the earlier of receipt of primary environmental approvals for the Salave Project or December 31, 2017, for a cash payment of USD 3 mn.

In July 2017, BDG paid off the RMB debt, recording a gain of USD 7.9 mn on the settlement. Later in FY 2018, the company bought the 2% NSR royalty for CAD 570,000 (USD 400,000) instead of USD 3 mn.

2.2.8 Other Lease and Service Agreements

The Salave property is also subject to a pre-existing lease termination agreement. Five-staged lease payments of USD 5 mn each are payable to SPG Royalties Inc (SPG) according to the following milestone schedule:

- (a) Acquiring all surface rights and development permits,
- (b) Commencement of commercial production,
- (c) Reaching cumulative production of 200,000 oz of gold,
- (d) Reaching cumulative production of 400,000 oz of gold and,
- (e) Reaching cumulative production of 800,000 oz of gold.

The Salave property is also subject to a 5% NSR royalty payable to SPG after 800,000 oz of gold have been produced. The royalty can be reduced to 2.5% on payment of USD 5 mn.

BDG also entered into a services agreement with Westech International Pty Ltd (Westech) under which Westech would be engaged by BDG to provide technical services from time to time for the development of the company’s business.

2.2.9 Project Milestones

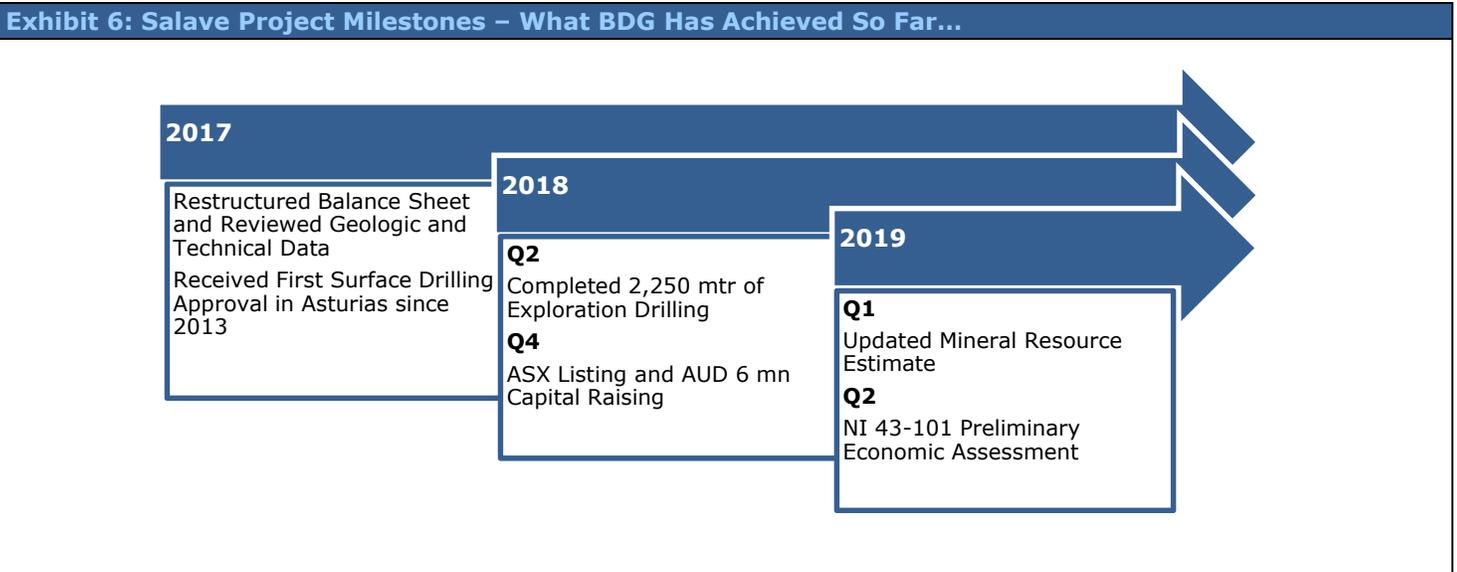
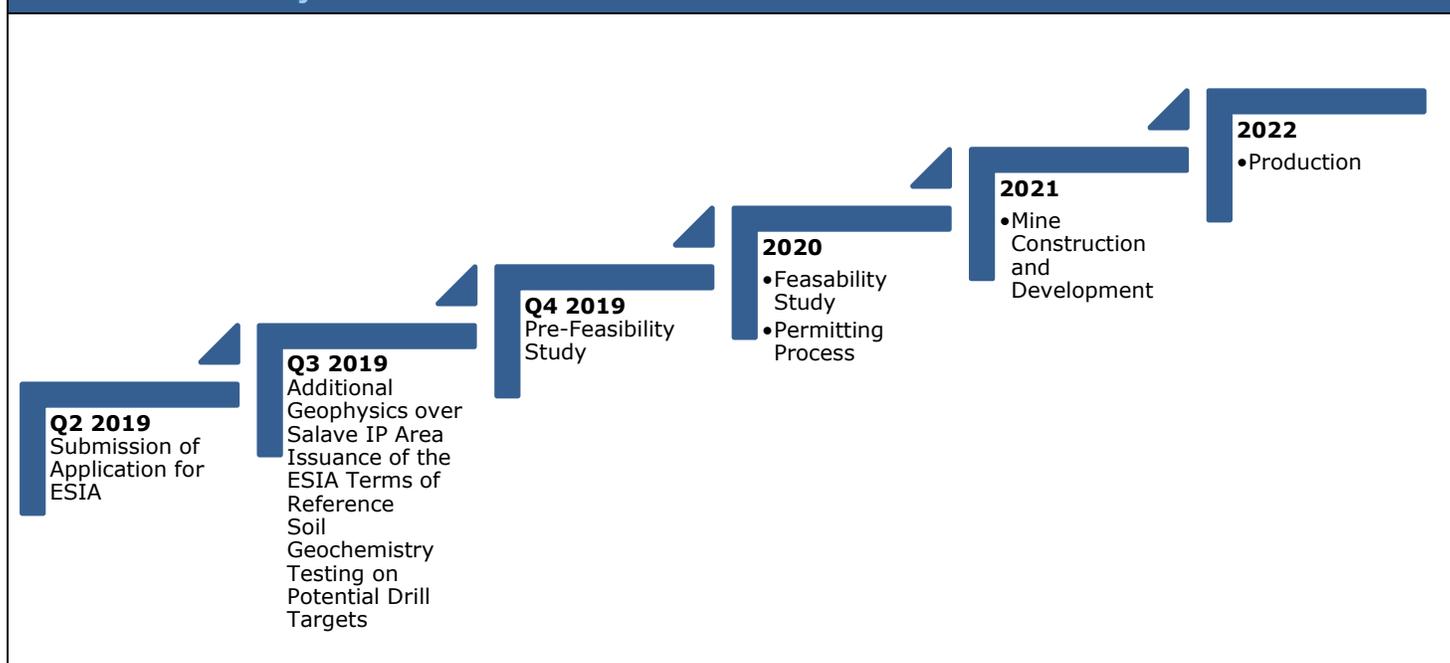


Exhibit 7: Salave Project Milestones – Fast Track to Production



2.3 Company Milestones

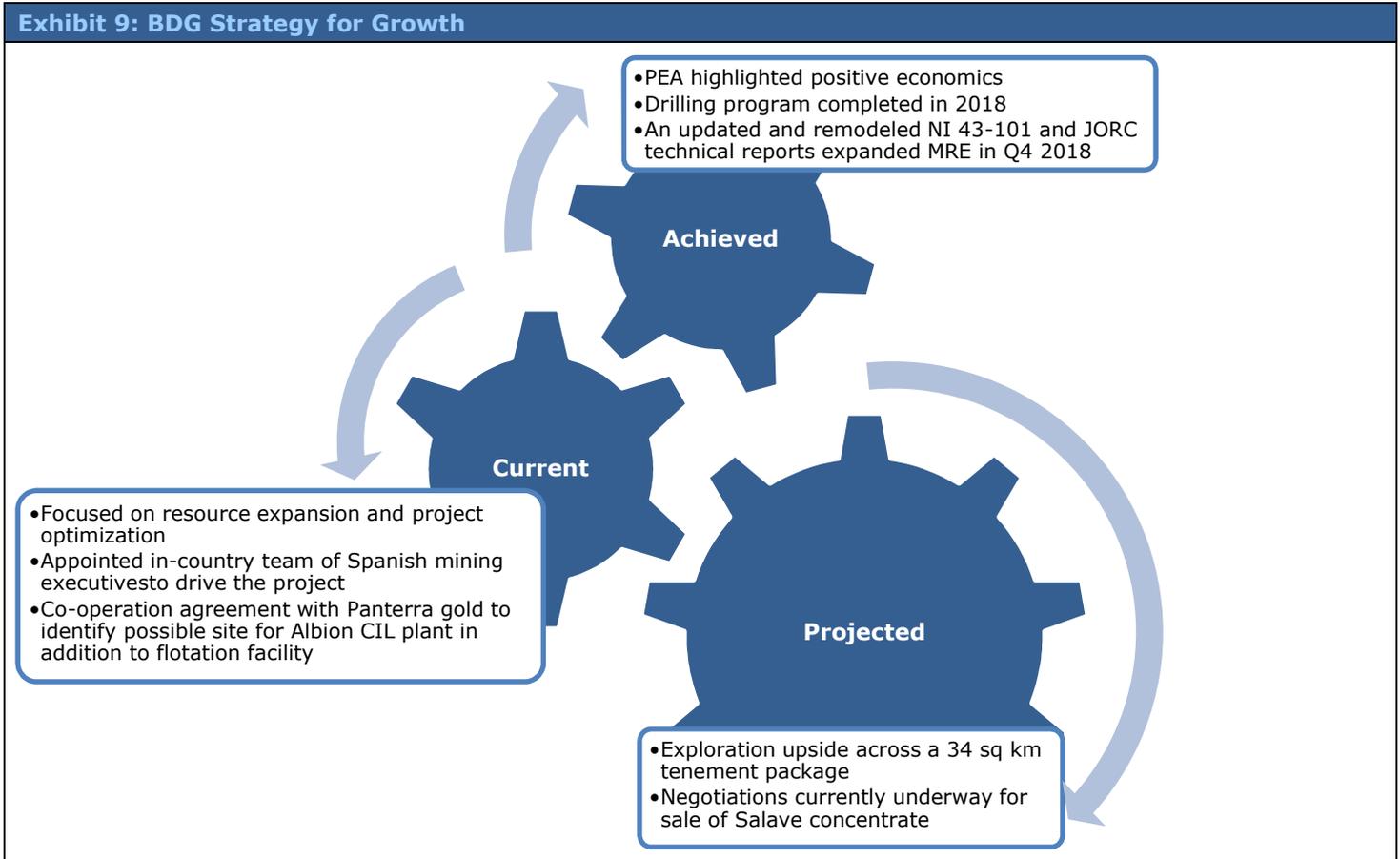
Exhibit 8: BDG Milestones^{xi}

Year	Event
2017	<ul style="list-style-type: none"> • Successfully closed a non-brokered private placement to raise CAD 8.5 mn on June 30, from a large number of new institutional and private investors • Closed a private placement to raise CAD 990,000 in October • Repaid its secured debt payable to RMB
2018	<ul style="list-style-type: none"> • Commenced a 6-hole 2,200 mtr exploration drilling program on the Salave gold deposit in Asturias • Received approval for a 1-for-3 shares consolidation from the TSX-V in April • Commenced trading on ASX on August 29 under the symbol BDG, pursuant to a successful IPO • Purchased the royalty deed payable to RMB • Published an updated NI 43-101 Mineral Resource Estimate for its Salave Gold Deposit on October 31 • Received a 30-year extension on its Ampliacion a Figueras Mining Permit, and a 3-year extension to the Salave Investigation Permit from the Government of Asturias • Received a positive PEA for Salave underground • Delisted from TSX-V with effect from February 28, 2019

2.4 Corporate Strategy and Outlook

2.4.1 Company Strategy

Exhibit 9: BDG Strategy for Growth



BDG’s drilling campaign conducted in 2018 to explore down dip potential and infill drilling along strike led to an increase in the mineral and resource estimates. The project’s economic viability (for 14 years life of mine) has been validated by positive results from the PEA received in February 2019.

Currently, the company’s strategy is focused on resource expansion and project optimization at its Salave Gold Project. The company has an in-country team in Spain comprising experienced Spanish mining executives to drive the project. It is free from its RMB debt liability, which had been previously identified as a restraint to realization of the project’s full value. BDG has also entered into a cooperation agreement with Panterra Gold to identify possible site for Albion CIL plant in addition to floatation facility.

Going forth, the company is also looking forward to sign offtake agreements with partners for selling its gold concentrate, once in production.

2.4.2 Company Outlook

BDG’s strategy is aligned to creating shareholder wealth through fast tracking the progress of the Salave asset to production. The company is in the process of defining an extensive exploration program to identify other high-priority drill targets along the granodiorite alteration zones to the east, west and south of the current Salave deposit where historical soil and rock chips samples had identified anomalous high-grade gold mineralization. The company foresees an exploration upside across a 34 square km tenement package, with less than 5% of tenement properly explored. BDG also intends to remain debt-free till production.

2.5 Shareholding Pattern^{xii}

As of April 2019, the company had 110,861,225 common shares outstanding.

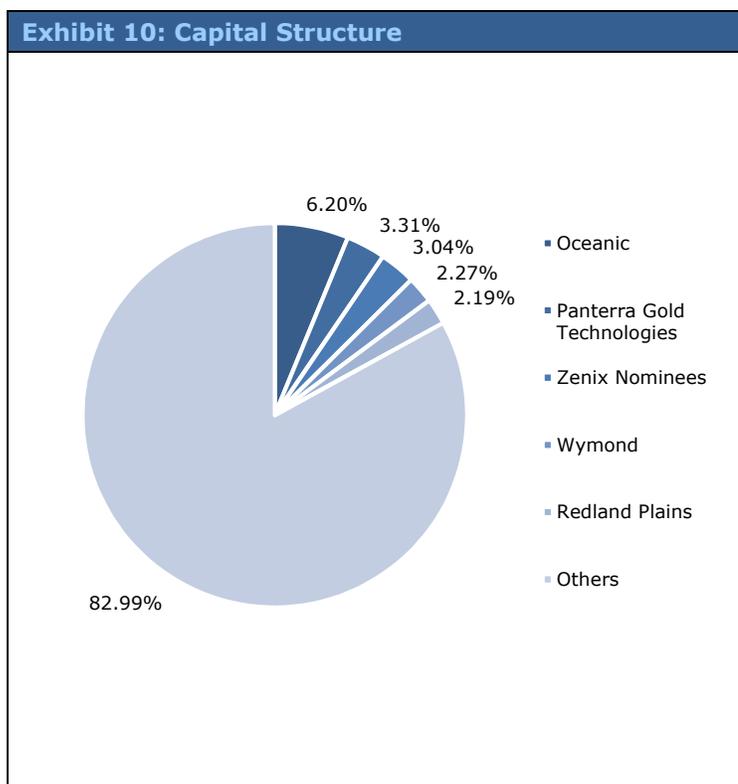


Exhibit 11: Shareholding Pattern

Shareholder	No. of Shares	% of total
Oceanic	6,877,167	6.20%
Panterra Gold Technologies	3,666,666	3.31%
Zenix Nominees	3,370,329	3.04%
Wymond	2,518,333	2.27%
Redland Plains	2,424,421	2.19%
Deutsche Balaton	2,000,000	1.80%
Dixson Trust	1,883,333	1.70%
Metaform Investment Mining	1,818,333	1.64%
JP Morgan Nominees Australia	1,810,970	1.63%
BPM Capital	1,700,000	1.53%
Others	82,791,673	74.69%
Total Shares Outstanding	110,861,225	100.00%

2.6 Listing and Contact Details^{xiii}

Black Dragon Gold is listed on the ASX under the symbol BDG.

Company Contacts

Address 1: Registered and Records Office
1000 Cathedral Place
925 West Georgia Street
Vancouver, BC
Canada, V6C 3L2

Contact No: +1 604 662 8808

Address 2: Head Office - UK
2nd Floor, Stamford House
Regent Street
Cheltenham, UK, GL50 1HN

Contact No: +44 203 950 0266

Address 3: Australia Office
Grange Consulting
945 Wellington Street
West Perth, Australia, WA 6005

Contact No: +61 417 717 480

Website: www.blackdragongold.com

3. News^{xiv}

- **Financial results for FY 2018:** On March 28, 2019, the company announced its financial results for FY 2018. It reported a net loss of CAD 3.6 mn in FY 2018, as compared with a net income of CAD 4.6 mn recorded in FY 2017. Cash and cash equivalents on December 31, 2018, stood at CAD 3.6 mn. During FY 2018, BDG recorded a cost of CAD 576,051 for the RMB royalty settlement, as compared to a gain of CAD 7.9 mn in FY 2017.
- **Paul Cronin acquired additional stake in BDG:** On March 22, 2019, the company reported a change in interest in the company held by its Director, Paul Cronin. On March 20, 2019, Cronin acquired 160,000 CDIs at an average price of AUD 0.10 per share from Swellcap Ltd., a company in which Cronin has been a Director and shareholder. Consequently, Cronin held 505,000 CDIs of BDG with effect from March 20, 2019.
- **TSX-V delisting:** On February 19, 2019, the company announced that its commons shares will be voluntarily delisted from the TSX-V with effect from February 28, 2019.
- **Positive PEA for Salave underground:** On February 11, 2019, the company announced the positive results of the PEA completed on its Salave project. As a next step, the company would be submitting the project description for the ESIA.
- **Permit extensions granted at Salave:** On December 05, 2018, the company announced that it had received a 30-year extension on its Ampliacion a Figueras Mining Permit, and a 3-year extension to the Salave Investigation Permit, from the Government of Asturias. The permit covers over 2,771 ha primarily to the south of the current Salave deposit where little or no exploration has been completed historically.
- **Financial results for 9M 2018:** On November 30, 2018, the company announced its financial results for 9M 2018. The company's loss increased by 34.2% YoY to CAD 2.66 mn in 9M 2018, from CAD 1.98 mn in 9M 2017. General and administrative expenses increased by 174% YoY to CAD 0.40 mn in 9M 2018 from CAD 0.15 mn in 9M 2017. BDG incurred CAD 0.64 mn as general exploration expenses during the period. Cash and cash equivalents on September 30, 2018 stood at CAD 4.7 mn.
- **New resource estimates increased resources at Salave:** On October 24, 2018, BDG announced an updated NI 43-101 Mineral Resource Estimate for its Salave Gold Deposit. The updated estimate followed 2,217 mtr of core drilling completed in 2018 and was based on a revised interpretation of the Salave deposit. Accordingly, the updated combined measured and indicated mineral resource estimates totaled 8.21 mn tons grading 4.58 g/t gold, containing 1.21 mn oz of gold, and inferred resources totaled 3.12 mn tons grading 3.47 g/t gold, containing 348,000 oz of gold.
- **Black Dragon signed deal with RMB to buy back royalty:** On October 4, 2018, the company announced that it had bought out the royalty deed due to RMB at a significantly reduced buy-out fee of CAD 0.57 mn. The deed had entitled RMB to a 2% NSR on the first 800,000 oz of gold production from BDG's Salave Gold Project.
- **Drilling results confirmed expansion potential at Salave:** On September 25, 2018, the company announced the assay results from the final two drill holes of the company's 2018 infill and definition drilling campaign at Salave. Drilling operations at holes BD18-06 and 07 had intersected high-grade mineralization within and beyond the constraints of the prevalent mineral resource model, confirming exploration upside to the Salave measured and indicated resource estimates.
- **Drilling identified new high-grade extensions to Salave:** On September 11, 2018, the company announced the assay results from three more drill holes of the company's 2018 infill and definition drilling campaign at Salave. Drilling operations at holes BD18-01, 02 and 03 had intersected high-grade mineralization within and beyond the constraints of prevalent mineral resource model, lending a significant exploration upside to the Salave measured and indicated resource estimates.
- **Financial results for H1 2018:** On August 31, 2018, the company announced its financial results for H1 2018. The company's loss decreased by 11.7% YoY to CAD 1.71 mn in H1 2018, from CAD 1.94 mn in H1 2017. Management fees declined by 87% YoY to CAD 0.14 mn in H1 2018 from CAD 1.10 mn in H1 2017. Cash and cash equivalents on June 30, 2018, stood at CAD 0.58 mn.

- **Black Dragon commenced trading on the ASX:** On August 29, 2018, the company announced that its CDIs had commenced trading on the ASX.
- **Admission and commencement of official quotation on the ASX following oversubscribed AUD 6 mn IPO:** On August 27, 2018, the company announced that its CDIs were admitted to the official list of the ASX following its successful AUD 6 mn IPO. Official quotation was scheduled to commence on August 29, 2018, under the symbol BDG.
- **BDG completed AUD 6 mn offering:** On August 23, 2018, BDG announced that it had raised AUD 6 mn (~CAD 5.76 mn) in a successful IPO. The company placed 30 mn CDIs at an issue price of AUD 0.20 with a range of institutional, high-net-worth, and retail investors. BDG also issued 1 option for every 2 CDIs issued pursuant to the IPO, each option allowing the holder thereof to acquire 1 additional share at a price of AUD 0.33 (~CAD 0.32) for a period of 12 months from the date of issue. Hartleys Ltd was the corporate advisor and lead manager, while Tamesis Partners LLP and Amvest Capital Inc (acting through Mann Jensen Partners LP) were the co-managers to the offering.
- **Prospectus for secondary ASX listing meant to raise up to AUD 6 mn:** On July 13, 2018, the company announced that it had lodged a prospectus with the ASX to raise a minimum of AUD 4 mn and up to a maximum of AUD 6 mn and to undertake a secondary listing on the ASX.
- **Financial results for Q1 2018:** On May 30, 2018, the company announced its financial results for Q1 2018. The company's loss increased by 32.3% YoY to CAD 0.91 mn in Q1 2018, from CAD 0.69 mn in Q1 2017. General and administrative expenses increased by 288.5% YoY to CAD 0.15 mn in Q1 2018 from CAD 0.04 mn in Q1 2017. Cash and cash equivalents on March 31, 2018, stood at CAD 1.30 mn.
- **Financial results for FY 2017:** On April 30, 2018, the company announced its financial results for FY 2017. The company reported net income of CAD 4.6 mn in FY 2017, as compared with a net loss of CAD 2.8 mn recorded in FY 2016. The change was mainly accruable to a CAD 7.9 mn gain recorded on the settlement of the RMB loan of the company. Cash and cash equivalents on December 31, 2017, stood at CAD 1.8 mn.
- **Shares consolidation approval received:** On April 30, 2018, the company announced that it had received TSX-V approval for the company's 1-for-3 shares consolidation and would proceed with the consolidation. The shares commenced trading on the exchange on a post-consolidation basis on May 1, 2018.
- **Proposed shares consolidation:** On April 20, 2018, BDG announced that it proposed to undertake a consolidation of the company's issued and outstanding common shares based on 3 old shares for 1 new share. The consolidation was subject to, among other things, TSX-V Exchange approval. The company had 236.6 mn shares issued and outstanding on April 20, 2018.
- **Commencement of exploration drilling at Salave:** On January 23, 2018, the company announced that it had commenced a 6-hole 2,200 mtr exploration drilling program on the Salave gold deposit in Asturias, Spain, following the receipt of approval from the Asturias Ministry of Employment, Industry & Tourism, as well as the Municipality of Tapia de Casariego.
- **Appointment of new Chief Financial Officer (CFO) and Corporate Secretary:** On January 2, 2018, the company announced the appointment of Sean Duffy as CFO and Corporate Secretary. Mr. Duffy replaced Mark Gelmon as CFO and Marion McGrath as Corporate Secretary. He has over 20 years of international finance experience in the mining industry.
- **Financial results for 9M 2017:** On November 29, 2017, the company announced its financial results for 9M 2017. The company reported a net income of CAD 5.4 mn in 9M 2017, as compared with a net loss of CAD 1.7 mn recorded in 9M 2016. The change was mainly accruable to a CAD 7.7 mn gain recorded on the settlement of the RMB loan of the company. Cash and cash equivalents on September 30, 2017 stood at CAD 1.3 mn.
- **Completion of a private placement raising CAD 1 mn:** On October 25, 2017, the company announced that it had closed its non-brokered private placement, announced on October 17, 2017, with a strategic investor raising gross proceeds of CAD 0.99 mn through the issuance of 11 mn units at a price of CAD 0.09 per unit. Each unit

comprised one common share of the company and one share purchase warrant; each warrant entitled the holder to acquire an additional common share of the company at a price of CAD 0.20 per share until December 31, 2019.

- **Appointment of General Manager:** On October 23, 2017, the company announced the appointment of Jose Manuel Dominguez Diez as General Manager of the company's wholly owned subsidiary, EMC. Dominguez is a mining engineer from the School of Mines in Oviedo, had over 30 years of experience in open pit and underground operations, mine design and permitting.
- **Completion of a shares for debt transaction:** On October 11, 2017, the company announced completion of a shares for debt transaction (previously announced on October 5, 2017), through the issuance of 5 mn shares at CAD 0.06 per share together with 0.6 mn share purchase warrants exercisable at a price of CAD 0.11 each for two years, extinguishing CAD 0.32 mn of debt.
- **Financial results for H1 2017:** On August 29, 2017, the company announced its financial results for H1 2017. The company's loss increased by over 900% YoY to CAD 1.9 mn in H1 2017, from CAD 0.2 mn in H1 2016. Cash and cash equivalents on June 30, 2017 stood at CAD 7.7 mn.
- **Appointment and resignation of Board Members:** On July 10, 2017, the company announced the appointment of Messrs. Jonathan Battershill, Paul Cronin, Alberto Lavandeira and Richard Monti to its Board of Directors, effective immediately. The company also announced the resignations of Messrs. Brian Wesson, Clyde Wesson, Stephan Kim, Christopher Towsey and Mrs. Amelia Wesson as Directors and/or officers of the company.
- **Repaid secured debt facility with RMB:** On July 6, 2017, the company announced that it had repaid its secured debt facility with RMB for aggregate cash consideration of USD 3.5 mn (USD 3 mn plus accrued interest).
- **Completion of CAD 8.5 mn private placement financing:** On July 4, 2017, BDG announced that it had successfully closed a private placement to raise CAD 8.5 mn from a large number of new institutional and private investors, which allowed the company to fully repay its secured debt facility and be well-placed to recommence exploration activity at its high-grade Salave Gold Project.

4. Management and Governance^{xv}

The management and governance team has significant experience in operating exploration and predevelopment mining projects, particularly in Europe.

Exhibit 12: Management and Governance		
Name	Position	Qualifications and Past Experience
Paul Cronin	Chief Executive Officer (CEO) & Managing Director	<ul style="list-style-type: none"> Resource-focused fund manager and investment banker, with considerable experience in debt and equity financing resource projects, and mergers and acquisitions Most recently CEO and director of Australian Securities Exchange-listed Anatolia Ltd, and prior to that, Vice President at RMB Resources, the resources financing business of Johannesburg Stock Exchange-listed FirstRand Ltd
Jonathan Battershill	Non-Executive Chairman	<ul style="list-style-type: none"> 20 years of international experience in mining, business development and finance Mining industry experience includes senior operational and business development roles at WMC Resources Ltd and mining-focused senior equity analyst roles at Hartleys, Citigroup and UBS He is also a non-executive director of Silver Mines Ltd
Alberto Lavandeira	Non-Executive Director	<ul style="list-style-type: none"> Qualified mining engineer with 39 years of experience in operating and developing mining projects Currently CEO and director of Spanish copper producer Atalaya Mining Previously CEO and chief operating officer of Rio Narcea Gold Mines (1995 to 2007), which undertook exploration drilling at Salave during 2004 to 2005 and developed three mines from exploration to production, including El Valle in the same region as Salave, Aguablanca near Seville and Tasiast in Mauritania
Richard Monti	Non-Executive Director	<ul style="list-style-type: none"> Broad experience from 30 years of working in the technical, commercial, marketing and financial fields in the exploration and mining industries 40 years of experience across 11 ASX- and TSX-listed companies Currently a director of Pacifico Minerals Ltd
Jose Manuel Dominguez Diez	General Manager - EMC	<ul style="list-style-type: none"> Diez is responsible for implementing the strategic objectives defined by the board, and to take overall management of EMC's activities in Asturias, including the permitting of the Salave Project He has formerly been the General Manager of Imerys in both Spain and Italy, following a long stint with Rio Tinto in various managerial and technical roles in Spain He is a Mining Engineer from the School of Mines in Oviedo with over 30 years of experience in open pit and underground operations, mine design and permitting Diez holds an MBA from the renowned Centre d'Etudes Supérieures Européennes de Management in Madrid, Spain

5. Industry Overview

5.1 Mining Industry in Spain

5.1.1 Resource-Rich Spain

Spain hosts Europe's most diverse mining industries, which benefit from transparent legislation and fiscal policies. The country also has well-developed infrastructure and a skilled workforce, especially in the mining sector.

Spain is located in Southwestern Europe and borders the Pyrenees Mountains, Bay of Biscay, North Atlantic Ocean and Mediterranean Sea. Thus, it has a diverse geological territory endowed with a wide range of mineral resources. The country's significant mineral products in terms of value include copper, zinc, gold, steel, coal, cement and alumina.

The transition to democracy and rapid economic modernization has expedited economic progression over the last few years. Variations in market demand and supply mechanics for commodities have been providing a volatile, yet growing market for the country's commodity output.

5.1.2 Mining Sector in Spain

The mining sector in Spain is reviving with metallic minerals such as copper, zinc, nickel, gold, and wolfram now contributing 27% of mining production in the economy. Mineral commodities, such as gold, count among the key export commodities of the country. Spain's mining history can be traced back to the Andalusia region, which primarily hosts Spain's copper deposits. Asturias is another region contributing well towards Spain's mining output. The Asturias region, where BDG's Salave mines are located, contributes 5.8% of overall national production in Spain.

With rebuilding and recommissioning of old operations becoming increasingly common among mining companies working in Spain, the share of metallic minerals in overall mining production is expected to turn more favorable, vis-à-vis energy products.

5.1.3 Operational Mining projects in Spain

Mining is an active business in Spain. Some of the most relevant mining projects currently in exploitation are:

- Río Tinto (Minas de Río Tinto, Andalusia) (copper)
- Las Cruces (Gerena, Andalusia) (copper)
- Agua Blanca (Monesterio, Extremadura) (nickel)
- Aznalcóllar (Aznalcóllar, Andalusia) (zinc)
- Salave (Tapia de Casariego, Asturias) (gold)
- Minas del Bages (Sallent and Súria, Catalonia) (potash)

5.1.4 Regulatory Framework in Spain^{xvi}

Regulatory authorities in Spain

At a national level, the main authority is the Ministry of Energy, Tourism and Digital Agenda, which is led by the Directorate General on Energy Policy and Mines. Due to the nature of this area, the Ministry of Economy, Industry and Competitiveness and the Ministry of Agriculture and Fishing, Food and Environment may also play significant roles. At the regional level, the regional ministry competent for mining issues in each of the autonomous communities is the relevant authority. In addition, the regional ministries have powers concerning industry and environmental matters.

Main regulatory framework

The main regulatory framework in Spain for mining exploration and extraction is determined by the Spanish Constitution (1978), which establishes that the state has exclusive powers over the foundations of mining law. The regions can exercise their powers on related areas such as the management of environmental protection, the promotion of regional economic development and the development of basic mining state rules.

- The Spanish constitution (1978), which establishes that the state holds exclusive competence over (among other matters) the basis of organization of mining and energy.
- Law 22/197 of 21 July, (Mining Act) is the main piece of legislation in this matter. It governs the different types of mining resources, the authorizations and permits required and the applicable offences and sanctions.
- Royal Decree 2857/1978 of 25 August, which enacts the General regulation for the Mining Regime.

- Royal Decree 975/2009 of 12 June, on the management of the extractive industries waste and the protection and rehabilitation of the sites affected by the mining activities, which refers to the main environmental issues arising from the exploitation of mines.
- Law 21/1993 of 9 December, on environmental assessment.

Regulations at the regional level

At the regional level, the regulatory framework for Spain is comprised of various Decrees relating to land use and urban planning, natural protected areas, and cultural heritage.

5.1.5 The BDG Advantage

BDG's Salave Gold project is a technically robust project and operates in the Asturias region which is a highly prospective region in Spain. Locational advantages, and the transparent regulatory framework prevalent in the region (as elaborated above), only add to the attractiveness of the Salave Gold project. BDG already has a strong in-country management team comprising of highly experienced and technical professionals focused on bringing Salave into production.

Once in production, the industry metrics for gold mining would play a crucial role in determining top and bottom line success for the company.

5.2 Gold Reserves and Production^{xvii}

5.2.1 Gold Reserves

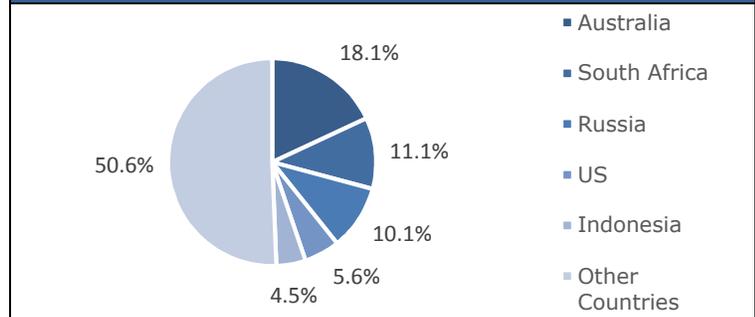
As developing nations have opened up to foreign investment, there has also been a significant increase in gold production across Latin America, Africa and southeast Asia. As a result, the amount of gold ever mined has doubled since the mid-1970s. The World Gold Council estimates suggest that around 193,472 tons of gold had been mined throughout history until the end of 2018, of which around two-thirds had been mined since 1950. A total of 54,000 tons of gold still remained below the ground as reserves at the end of 2018.

Exhibit 13: Total Above-Ground Stocks – December 2018^{xviii}

Parameter	Weight (tons)	% of total
Jewelry	92,043	47.6%
Official Sector	33,230	17.2%
Bars and Coins	38,838	20.1%
Exchange-traded funds and similar	2,440	1.3%
Other Fabrication and Unaccounted	26,921	13.9%
Total Above-the-Ground Stocks	193,472	100.0%
Below-Ground Gold Reserves	54,000 tons	
<i>Source: Metals Focus, Refinitiv GFMS, World Gold Council</i>		

Geographically, Australia has the highest gold reserves at 18.1%, followed by South Africa and Russia at 11.1% and 10.1%, respectively. Even including a generous metallurgical recovery factor of 90%, this would only provide the industry with enough ore for 15 years of production at current rates. However, there are an additional 110,000 tons of gold within known mineral resources, more than enough to carry existing supply rates beyond 2048.

Exhibit 14: World Gold Reserves Below Ground – December 2017



5.2.2 Gold Production^{xix}

In 2000, world gold production amounted to 2,590 tons. Since then, world gold production increased steadily up to an estimated 3,594 tons in 2017. At a country level, China was the largest producer in the world in 2017, accounting for ~13.0% of total global production. The global mine production of gold steadily rose after the 2008 economic crisis. Among gold mining companies, Barrick Gold from Canada has been the global leader, with a production output of 5.32 mn oz in 2017. Newmont Mining from the US, and AngloGold Ashanti from South Africa have been the next largest gold producers. Historically, global gold mine production was dominated by South Africa, the US, Australia and Canada. By 1987, these 'big four' accounted for some 60% of all the gold ever mined (GFMS – Gold Survey). However, the last three decades witnessed significant diversification of supply, and in 2017 the big four accounted for less than 30% of annual production (Metals Focus – Gold Focus 2017).

Exhibit 15: Global Gold Mine Production (tons)

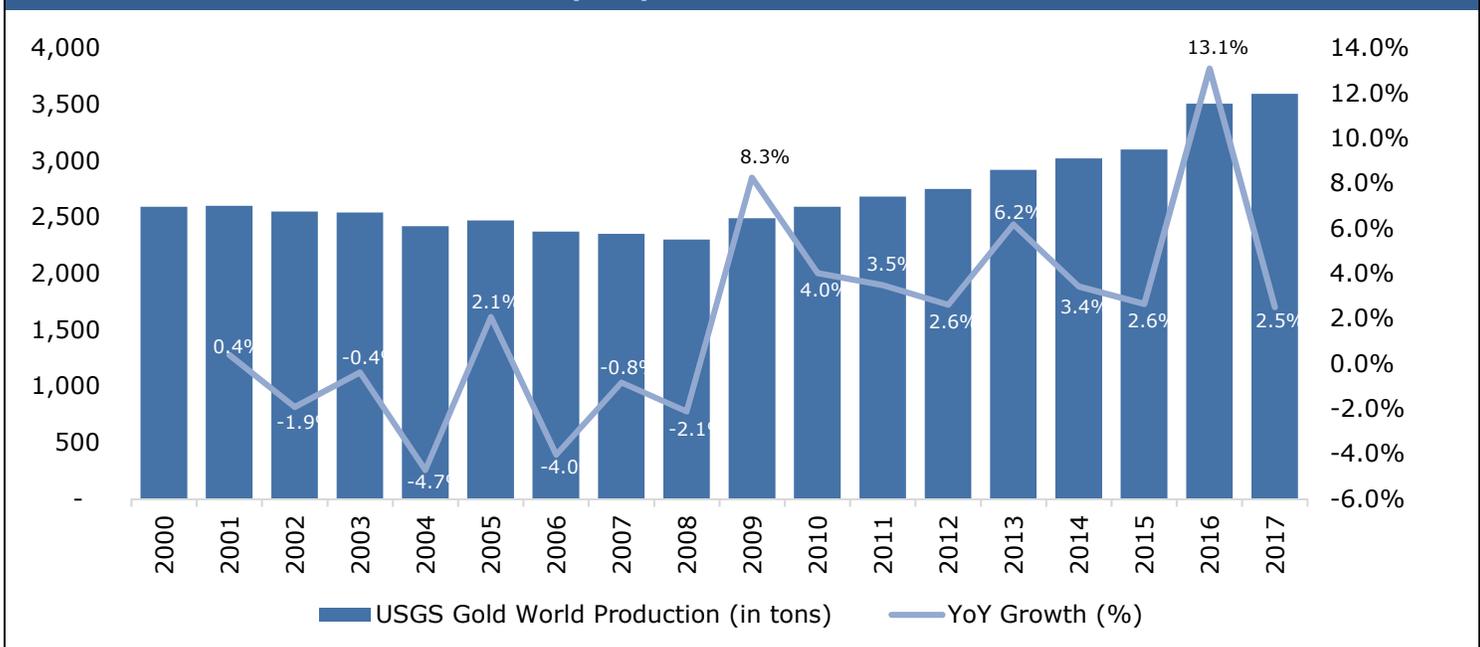


Exhibit 16: Global Supply & Demand Dynamics (tons)^{xx}

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Supply									
Mine production	2,743	2,844	2,917	3,072	3,138	3,207	3,285	3,319	3,347
Recycled gold & Other	1,571	1,675	1,627	1,221	1,292	1,133	1,314	1,128	1,143
Total supply	4,314	4,519	4,543	4,293	4,430	4,341	4,600	4,447	4,490
Demand									
Jewelry	2,042	2,087	2,134	2,727	2,533	2,470	2,008	2,244	2,270
Technology	460	429	381	356	348	332	323	333	335
Investment	1,625	1,695	1,618	823	893	968	1,646	1,252	1,159
Central banks & other inst.	79	481	569	624	584	577	390	375	651
Gold demand	4,206	4,690	4,703	4,530	4,358	4,346	4,367	4,203	4,415

5.3 Gold Demand Drivers

5.3.1 Central Bank's Gold Purchases

Central banks' gold buying has been an important driver of gold demand historically and is affected by various factors. Gold is an important part of central banks' foreign exchange (FX) reserves and central banks share as percentage of global gold demand has increased from ~2% in 2010 to ~15% in 2018. In 2018, central banks' gold demand increased 74% and was at a multi-decade high of ~651 tons of gold and drove the overall 4% growth in global gold demand. This is the highest level of annual net purchases since the suspension of dollar convertibility into gold in 1971, and the second highest annual total on record.

Central banks of Russia, Turkey and Kazakhstan were key buyers in 2018. Russia is "de-dollarizing" its FX reserves and bought, 274.3 tons in 2018, funded by the almost total sale of its US Treasuries portfolio. Russia's gold reserves have increased for 13 consecutive years, growing by 1,726 tons over the period to total 2,113 tons at the end of the 2018. The central bank of Turkey increased gold reserves by ~51 tons in 2018. Kazakhstan's gold reserves rose ~51 tons in 2018, to 350 tons and marks the eighth consecutive annual increase.

Exhibit 17: Segment Wise Share of Gold Demand (2010- 2018)^{xxi}

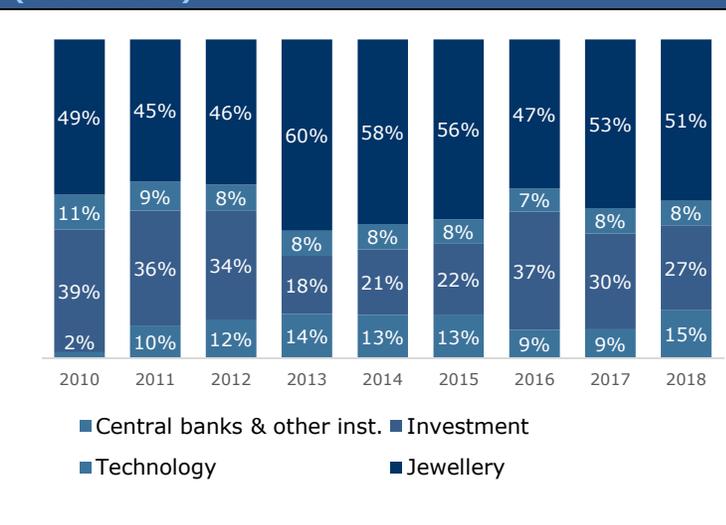
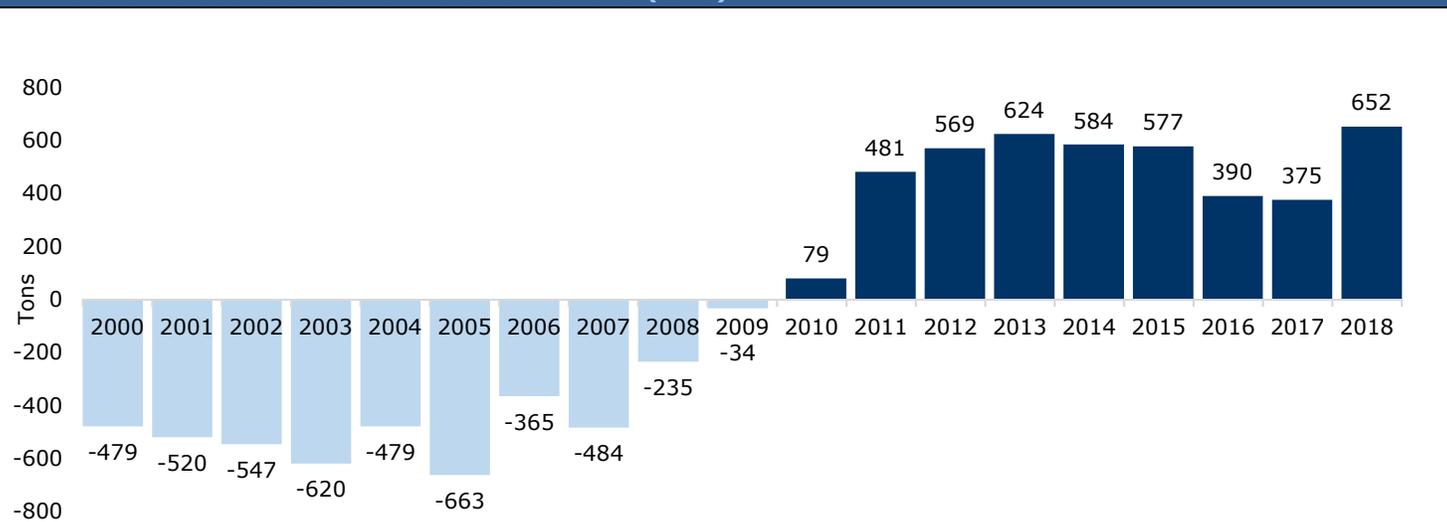


Exhibit 18: Global Central Banks Gold Demand (tons)^{xxii}



As per International Monetary Fund (IMF) data, global central banks collectively held nearly 34,000 tons (USD 1.36 trillion) of gold at the end of mid-2018. The US, Germany, IMF, Italy and France are top 5 holders of gold reserves followed by Russia, China, Switzerland, Japan and Netherlands. Together, these top 10 holders held ~75% of aggregate central banks' gold reserves.

Exhibit 19: Top 20 Reported Official Gold Holdings by Central Banks (tons)^{xxiii}

	Country	Gold in Tons	% of FX Reserves		Country	Gold in Tons	% of FX Reserves
1	US	8,133.5	75%	11	India	598.6	6%
2	Germany	3,369.7	70%	12	ECB	504.8	26%
3	IMF	2,814.0	-	13	Taiwan	423.6	4%
4	Italy	2,451.8	66%	14	Portugal	382.5	63%
5	France	2,436.0	60%	15	Kazakhstan	350.4	47%
6	Russia	2,113.0	19%	16	Saudi Arabia	323.1	3%
7	Mainland China	1,852.5	2%	17	UK	310.3	7%
8	Switzerland	1,040.0	5%	18	Lebanon	286.8	21%
9	Japan	765.2	2%	19	Spain	281.6	16%
10	Netherlands	612.5	66%	20	Austria	280.0	50%

Principal Reasons Behind Central Bank's Gold Holdings

The principal reason the central banks continue to hold gold as part of their reserves is as a contingency against unforeseen events. Given below are a few reasons which drive central banks' gold buying:

- Gold is a high-liquidity asset and central banks use their gold to raise liquidity in a foreign currency, even for foreign exchange intervention.

- Gold is considered as the ultimate asset to hold in an emergency and historically has often appreciated in value in times of financial instability, geopolitical tensions, wartime or uncertainty.
- Gold is also considered a hedge against inflation as it has traditionally kept its value against inflation and has always been accepted as a medium of exchange between countries. Whenever any country thinks that existing inflation or inflation expectations are high, central banks buy gold to protect their currencies' purchasing power in the event of inflation.
- Gold has no default risk – unlike other asset types, gold has no solvency risk attached, because it is not “issued” by an authority such as a central bank or any government. Gold reserves are considered as insurance against unlikely, but extremely damaging events, such as the collapse of financial systems or debt default by major sovereign nations.
- Gold also plays a key part in the international monetary system as the ultimate backing for domestic paper money.

5.3.2 Gold as An Investment Class

In the 1980s and 90s, investment in gold was limited to coins, physical bars and for the larger buyer - the over-the-counter (OTC) market. The development of physically backed exchange-traded funds (ETFs) revolutionized the investment market, greatly reducing transaction costs for smaller purchases and allowing institutional investors easier and more compliant access to gold.

Anticipation of, and reaction to economic downturns and financial crises are likely to buoy investment demand for many years to come. Further, the growth of digital platform and/or fintech-enabled gold trading are also expected to bring another round of radical change. Other factors are expected to bolster the investment market too, including the elevated valuations of many asset markets, large debt levels in many economies and unresolved structural problems dating from the 2008–09 global financial crisis.

Since 2001, worldwide gold demand in investment has grown 15% on average per year. This has been driven in part by new ways to access the market, such as physical gold-backed ETFs, and also by the expansion of the middle class in Asia and a renewed focus on effective risk management following the 2008–2009 financial crisis in the US and Europe.

Exhibit 20: Top 10 physically-backed gold ETFs by Assets Under Management in tons^{xxiv}

	Fund	Country	Holdings as of Dec 2018
1	SPDR Gold Shares	US	787.4
2	iShares Gold Trust	US	280.2
3	Xetra-Gold	Germany	181.1
4	ETFS Physical Gold	UK	161.7
5	Invesco Physical Gold ETC	UK	120.0
6	iShares Physical Gold ETC	UK	105.6
7	Gold Bullion Securities Ltd	UK	80.2
8	ZKB Gold ETF	Switzerland	63.5
9	Xtrackers Physical Gold ETC EUR	Germany	61.5
10	Sprott Physical Gold Trust	US	49.1
	Global total		2,440.2

5.3.3 Jewelry

For centuries, gold has been valued as an object of beauty. The jewelry industry has been the highest off taker for gold, comprising ~50% of the total gold usage in 2017. Despite using it in the form of jewelry, the nature has changed rapidly in recent decades and is likely to continue evolving over the coming years. As a result, usage of gold increased tepidly at a CAGR of 0.9% over 2010-2017.

Looking ahead, this segment is not expected to have a substantial recovery in developed-market jewelry demand, as historic buyers of large amounts of jewelry are ageing. Young, developed market consumers appear to favor experiences over material possessions and jewelry has struggled as a result of this trend. China and India are the largest jewelry buying nations. Hence, rising income and a shift to a more consumption-oriented economy in China and the changing demographics of India are expected to offset these trends to some extent.

5.3.4 Technology

Gold has vital uses in green technologies, healthcare and the digital world. Resistance to rust and corrosion makes gold the world’s most reliable and durable electrical conductor, essential for computer electronics and satellite communication technologies. In 2017, usage of gold in technology was 7.5% of the overall gold consumption strata.

Gold will almost certainly play a significant role in technology over the next 30 years. Rising wealth, connectivity and the use of electronics in ever-expanding applications will require increasing amounts of gold. The perennial trends of thrifting, substitution and recycling are expected to slow down growth rates, but they are highly unlikely to suppress demand completely. Medical usage of gold in nanoscopic quantities in medicines and health devices is an interesting area of demand but it is unlikely to be substantial. Dental use will probably decline to near-zero, although this has already largely occurred.

5.4 Gold Pricing and Near-Term Forecasts^{xxv}

The structure of the gold market is facing an unprecedented wave of change resulting from evolving gold demand patterns, regulatory change, new types of participants and innovation. How individual gold market centers respond to these opportunities and potential threats will shape the gold trading landscape and prices over the next decade and beyond.

In the 2002 to 2007 era, the rise in gold price was primarily due to falling interest rates and a rising real inflation rate. A steep growth over 2008-2012 was a result of investment in gold as a safe haven due to the high level of uncertainty observed in the global economy. In the near term, concerns over widening US budget deficit and a tariff-driven trade war is expected to keep gold prices on the rise. As per a Bloomberg estimate, gold is expected to trade at 1,414 USD/oz by 2022 from 1,282 USD/oz in 2018.

Exhibit 21: Gold Price and Growth (2001 – 2022E)



5.4.1 Gold Demand Outlook^{xxvi}

Gold experienced a multi decade high demand in 2018 and as per World Gold council economic growth for gold is expected to be on the rising trajectory driven by structural economic reforms in developing markets, financial market uncertainty and geopolitical tensions.

5.4.2 Gold Demand from Central Banks to Remain Buoyant

Geopolitical and economic uncertainty drove central banks to diversify their reserves and re-focus their attention on the principal objective of investing in safe and liquid assets. Gold demand from central banks is expected to remain strong, given the stock market volatility, increased expectation of a global recession and the need for safety and liquidity in the recessionary environment. Emerging-market central banks continue to diversify their exposure to US dollars which makes gold a key beneficiary. In 2018 alone, central bank demand hit a record high, in recent history, several countries added gold to their foreign reserves, many returned after multi-year absences and added gold to their foreign reserves.

Gold prices and demand are affected by US economic growth and mainly by dollar strength and demand. Generally, a strong dollar results in increased demand for dollar and declining or lower demand for gold. If US economy continues to grow strongly it will reduce gold demand from investors as strong dollar and GDP growth will move investors from gold to stock market to generate higher returns on their investments.

Investment category (ETF) demand for gold was impacted in 2018 due to tax reforms in the US where corporate tax cuts fueled the long bull market in US equities for much of the year which was a big headwind for gold demand from ETFs.

5.4.3 Structural and economic reforms

Structural and economic reforms in developing countries, especially in India and China, will lead to higher growth and income levels over many years and should result in higher demand for gold in Jewelry and Technology sectors.

5.4.4 Change in financial market sentiment

Gold-backed ETFs witnessed significant outflows for the major part of 2018. But the pattern started to change in the fourth quarter, as sentiment towards risk began to shift. High levels of risk and uncertainty in global stock market, potential of increasing inflation, geopolitical and economic concerns and increasing concerns of a global recession will result in continued gold demand from investment demand of gold.

5.5 Outlook

Economic growth for gold is expected to be on the rising trajectory. As the middle class expands rapidly in China, India and elsewhere, demand for gold is expected to increase significantly. Secondly, technology is likely to become an increasingly important sector for gold, as the world becomes more digital and connected. The gold mining industry is going to be challenged to produce as much gold in the next 30 years as it has done during recent years. Hence, production methods and stakeholder relations will need to evolve if the gold industry is to make a meaningful contribution to society over the next three decades.

5.6 Competitive Landscape^{xxvii}

Exhibit 22: Players in the Gold Mining Sector			
Company	Headquartered	Business Description	Market Capital (CAD mn)
Abcourt Mines Inc	Canada	Abcourt Mines Inc is a mineral exploration and development company. It has mineral properties located in Northwestern Quebec, Canada, where it explores for gold, silver, copper, and zinc	18.0

Aben Resources Ltd	Canada	Aben Resources Ltd operates as a gold exploration company. It exploits, develops, and manages gold deposits. Aben Resources offers its services in Canada.	25.6
Advance Gold Corp	Canada	Advance Gold Corp is a mineral exploration company. It explores for gold in Kenya, East Africa.	2.3
African Gold Group Inc	Canada	African Gold Group Inc and its subsidiaries explore for gold in Ghana. The company holds exploration licenses in the Sefwi Gold Belt and the Asankrangua Gold Belt.	5.4
Alchemy Resources Ltd	Australia	Alchemy Resources Ltd operates as a gold, base metal, and nickel-cobalt exploration company. It is focused on projects in the Murchinson region.	5.5
Alexandria Minerals Corp	Canada	Alexandria Minerals Corporation is a junior gold exploration company. It explores for gold in Ontario and Quebec, Canada.	12.9
Alliance Resources Ltd	Australia	Alliance Resources Ltd is a mineral explorer with tenements in Victoria and South Australia. The company actively explores for gold, uranium, and copper.	9.1
Asanko Gold Inc	Canada	Asanko Gold Inc operates as a mining company and produces gold. Asanko Gold serves customers globally.	191.9
Axmin Inc	Canada	Axmin Inc develops mineral properties. It explores for iron ore and gold. The company serves customers worldwide.	73.8
Canarc Resource Corp	Canada	Canarc Resource Corp is an international gold exploration and mining company. Its mining interests include properties in Canada, Mexico, Costa Rica, and Suriname.	10.9
Cartier Resources Inc	Canada	Cartier Resources Inc offers interests in mining exploration properties. The company operates a process which allows it to develop and maintain a balanced portfolio of mining projects ranging from exploration to resource definition, development, and production. Cartier Resources serves customers in Canada.	22.1
Eastmain Resources Inc	Canada	Eastmain Resources Inc explores for gold and base metals in Eastern Canada.	35.6
First Mining Gold Corp	Canada	First Mining Gold Corp focuses on acquisition and advancement of high-quality mineral assets. The company engages in mineral properties in its mineral bank portfolio, which includes gold, silver, copper, lead, zinc, and nickel. First Mining Gold operates in Canada, Mexico, and the US.	187.0
Golden Arrow Resources Corp	Canada	Golden Arrow Resources Corp explores and develops mineral properties. The company conducts gold exploration activities in Argentina and Peru.	33.7
GoldQuest Mining Corp	Canada	GoldQuest Mining Corp is a mineral exploration company focused on the Dominican Republic. The company manages a portfolio of highly prospective gold exploration projects.	23.1
Granada Gold Mine Inc	Canada	Granada Gold Mine Inc operates as a mining company. It mines and explores gold properties.	8.0
Great Bear Resources Ltd	Canada	Great Bear Resources Ltd explores for uranium and precious metals in Canada.	119.1
Hunt Mining Corp	US	Hunt Mining Corp is a mineral exploration and development company. It owns mineral exploration properties in Argentina.	7.9
International Tower Hill Mines Ltd	Canada	International Tower Hill Mines Ltd acquires, explores, and evaluates mineral properties. The company currently possesses an expanding portfolio of Alaska- and Nevada-based gold and base metal exploration projects.	123.5
Lydian International Ltd	Jersey	Lydian International Ltd is a gold-focused mineral exploration and development company.	90.6
Mawson Resources Ltd	Canada	Mawson Resources Ltd is a mineral exploration company. It explores, acquires, and develops properties for uranium, gold, and base metal deposits.	32.8
Nevada Exploration Inc	Canada	Nevada Exploration Inc, through its subsidiary, explores for gold. The company holds interests in properties in Nevada.	23.0
Otis Gold Corp	Canada	Otis Gold Corp is a Canada-based mineral exploration company with a portfolio of quality precious metal projects located in Idaho. The company is currently focused on exploring its flagship Kilgore Project, located in Clark County, Idaho.	15.4

Red Pine Exploration Inc	Canada	Red Pine Exploration Inc is a mineral exploration and production company. It explores for Gold in Canada.	18.5
Rupert Resources Ltd	Canada	Rupert Resources Ltd operates as a gold mining company. It focuses on exploration and production of gold metal. Rupert Resources offers its services in Canada.	99.2
Rusoro Mining Ltd	Canada	Rusoro Mining Ltd is a gold mining company. It currently mines for gold in mining districts in Bolivar State, Venezuela.	54.5
Sabina Gold & Silver Corp	Canada	Sabina Gold & Silver Corp explores and develops mineral properties. The company is a precious metal exploration company with a portfolio of different properties in Canada at different stages of development. Sabina explores for minerals that include copper, gold, and silver.	349.8
Skeena Resources Ltd	Canada	Skeena Resources Ltd acquires, explores, and develops gold and base metal properties in Canada and South America. The company's primary activity is gold exploration and development.	47.0
Terrax Minerals Inc	Canada	TerraX Minerals Inc is a mineral exploration company. It acquires and explores properties for gold and diamond prospecting.	44.3
West Kirkland Mining Inc	Canada	West Kirkland Mining Inc is a mineral exploration and production company. It owns a portfolio of mineral exploration properties located in Nevada, US, and Ontario, Canada, where it explores for gold.	20.4

6. Valuation

The Fair Market Value for one of the company's publicly traded shares stood between AUD 0.79 and AUD 1.03 on April 12, 2019 using blended valuation (NPV and EV/Resources Multiple).

6.1 Net Present Value

Valuation	
WACC (Discount Rate)	12.93%

Jan end (CAD '000s)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
FCFF (Low)									
Free Cash Flow to Firm	(1,865)	(2,202)	(87,217)	(38,336)	42,439	42,549	66,143	64,963	58,261
Discount factor	0.92	0.81	0.72	0.64	0.56	0.50	0.44	0.39	0.35
Present Value of FCF	(1,709)	(1,786)	(62,654)	(24,387)	23,906	21,224	29,216	25,410	20,179
FCFF (High)									
Free Cash Flow to Firm	(1,914)	(2,310)	(87,397)	(33,061)	56,095	55,054	80,970	78,340	70,342
Discount factor	0.92	0.81	0.72	0.64	0.56	0.50	0.44	0.39	0.35
Present Value of FCF	(1,754)	(1,874)	(62,783)	(21,031)	31,598	27,462	35,765	30,642	24,364

Arrowhead Fair Value Bracket	Low	High
Present Value of Firm (CAD '000s)	135,754	187,541
Present Value of Terminal Value (CAD '000s)	0	0
Less: Net Debt (CAD '000s)	1,617	1,568
Present Value of Equity (CAD '000s)	137,371	189,109
Shares O/S ('000s)	110,861	110,861
Intrinsic Value per share (CAD)	1.24	1.71
AUD/CAD Exchange rate (on March 15, 2019)	1.05	1.05
Intrinsic Value per share (AUD)	1.30	1.79

6.2 Relative Valuation

The Fair Market Value of one of Black Dragon Gold Corporation publicly traded regular shares stands at AUD 0.27 on April 12, 2019.

Company Name ^{xxviii}	Market Cap (in CAD mn) ^{xxix}	Current Enterprise Value (in CAD mn)	Estimated Resources (tons) ^{xxx}	EV/Resources
Aben Resources Ltd	25.6	20.0	5,216,900	0.000038x
African Gold Group Inc	5.4	5.1	68,200,000	0.000001x
Alexandria Minerals Corp	12.9	12.9	7,077,008	0.000018x
Alliance Resources Ltd	9.1	7.1	1,097,000	0.000065x
Granada Gold Mine Inc	8.0	8.8	31,962,000	0.000003x
Hunt Mining Corp	7.9	14.3	237,000	0.0000604x
Canarc Resource Corp	10.9	6.9	5,860,000	0.000012x
Otis Gold Corp	15.4	14.2	47,582,000	0.000003x
Red Pine Exploration Inc	18.5	15.4	459,000	0.0000336x
Average				0.0000120x

Particulars	Low	High
BDG resources	11,300,000.0	11,300,000.0
PEER EV/ Resources	0.0000120	0.0000120
Relative Valuation Discount	20%	20%
Enterprise Value (CAD '000s)	27,099	27,099
Less: Debt (Net cash) (CAD '000s)	1,617	1,568
Implied Equity Value (CAD '000s)	28,716	28,667
Shares o/s ('000s)	110,861.0	110,861.0
Intrinsic Value per share (CAD)	0.26	0.26
AUD/CAD Exchange rate (on March 15, 2019)	1.05	1.05
Intrinsic Value per share (AUD)	0.27	0.27
Current market Price (AUD)	0.11	0.11
Upside / (Downside)	135.5%	135.1%

6.3 Blended Valuation

The Fair Market Value of one of Black Dragon Gold Corporation publicly traded regular shares stands between AUD 0.79 and AUD 1.03 as on April 12, 2019 according to blended valuation method.

Blended Valuation	Low	High
NPV (AUD)	1.30	1.79
Relative Valuation (AUD)	0.27	0.27
Blended Value (AUD)	0.79	1.03
Upside/(Downside)	615%	838%
Target Market Cap. Bracket (AUD '000s)	87,196	114,358

Important information on Arrowhead methodology

The principles of the valuation methodology employed by Arrowhead BID are variable to a certain extent depending on the subsectors in which the research is conducted, but all Arrowhead valuation research possesses an underlying set of common principles and a generally common quantitative process.

With Arrowhead Commercial and Technical Due Diligence, Arrowhead extensively researches the fundamentals, assets and liabilities of a Company, and builds solid estimates for revenue and expenditure over a coherently determined forecast period.

Elements of past performance, such as price/earnings ratios, indicated as applicable, are present mainly for reference purposes. Still, elements of real-world past performance enter the valuation through their impact on the commercial and technical due diligence.

Elements of comparison, such as multiple analyses may be to some Ltd extent integrated in the valuation on a project-by-project or asset-by-asset basis. In the case of this BLACK DRAGON GOLD report, there are no multiple analyses integrated in the valuation.

Arrowhead BID Fair Market Value Bracket

The Arrowhead Fair Market Value is given as a bracket. This is based on quantitative key variable analysis, such as key price analysis for revenue and cost drivers or analysis and discounts on revenue estimates for projects, especially relevant to those projects estimated to provide revenue near the end of the chosen forecast period. Low and high estimates for key variables are produced as a tool for valuation. The high-bracket NPV valuation is derived from the high-bracket key variables, while the low-bracket NPV valuation is based on the low-bracket key variables.

In principle, an investor who is comfortable with the high-brackets of our key variable analysis will align with the high-bracket in the Arrowhead Fair Value Bracket, and likewise in terms of low estimates. The investor will also take into account the Company intangibles – as presented in the first few pages of this document in the analysis on strengths and weaknesses and other essential Company information. These intangibles serve as supplementary decision factors for adding or subtracting a premium in the investor's own analysis.

The bracket should be understood as a tool provided by Arrowhead BID for the reader of this report and the reader should not solely rely on this information to make his decision on any particular security. The reader must also understand that on one hand, global capital markets contain inefficiencies, especially in terms of information, and that on the other hand, corporations and their commercial and technical positions evolve rapidly: this present edition of the Arrowhead valuation is for a short to medium-term alignment analysis (one to twelve months). The reader should refer to important disclosures on page 32 of this report.

7. Appendix

7.1 Black Dragon Gold's Balance Sheet Forecast

Exhibit 23: Consolidated Balance Sheet		All figures in CAD `000, unless stated differently								<i>Low Bracket Estimates</i>
<i>Year Ending-Dec</i>	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	
Total current assets	3,867	3,911	2,969	24,004	28,264	36,515	68,832	100,999	132,057	
Total non-current assets	1	1	81,821	100,165	97,347	92,185	84,669	76,599	69,523	
TOTAL ASSETS	3,869	3,912	84,790	124,168	125,611	128,700	153,501	177,598	201,580	
Total current liabilities	2,728	5,213	96,248	150,081	124,260	95,024	63,254	37,521	8,139	
Total non-current liabilities	-	-	-	-	-	-	-	-	-	
TOTAL LIABILITIES	2,728	5,213	96,248	150,081	124,260	95,024	63,254	37,521	8,139	
Total shareholder's equity	1,140	(1,301)	(11,458)	(25,912)	1,351	33,676	90,247	140,077	193,441	
TOTAL LIABILITIES & EQUITY	3,869	3,912	84,790	124,168	125,611	128,700	153,501	177,598	201,580	

Exhibit 24: Consolidated Balance Sheet		All figures in CAD `000, unless stated differently								<i>High Bracket Estimates</i>
<i>Year Ending- Dec</i>	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	
Total current assets	3,819	3,754	2,631	33,237	50,155	70,484	117,036	161,938	205,200	
Total non-current assets	1	1	81,821	100,165	97,347	92,185	84,669	76,599	69,523	
TOTAL ASSETS	3,820	3,755	84,453	133,402	147,502	162,669	201,705	238,537	274,724	
Total current liabilities	2,728	5,213	96,248	150,001	125,179	95,872	64,009	38,547	9,047	
Total non-current liabilities	-	-	-	-	-	-	-	-	-	
TOTAL LIABILITIES	2,728	5,213	96,248	150,001	125,179	95,872	64,009	38,547	9,047	
Total shareholder's equity	1,091	(1,458)	(11,796)	(16,599)	22,323	66,797	137,696	199,989	265,677	
TOTAL LIABILITIES & EQUITY	3,820	3,755	84,453	133,402	147,502	162,669	201,705	238,537	274,724	

8. Analyst Certifications

I, Natasha Agarwal, certify that all the views expressed in this research report accurately reflect my personal views about the subject security and the subject Company, based on the collection and analysis of public information and public Company disclosures.

I, Parvati Rai, certify that all the views expressed in this research report accurately reflect my personal views about the subject security and the subject Company, based on the collection and analysis of public information and public Company disclosures.

Important disclosures

Arrowhead Business and Investment Decisions, LLC has received fees in 2019 and will receive further fees in 2019 from Black Dragon Gold Corporation for researching and drafting this report and for a series of other services to Black Dragon Gold Corporation, including distribution of this report and networking services. Neither Arrowhead BID nor any of its principals or employees own any long or short positions in Black Dragon Gold Corporation. Arrowhead BID's principals intend to seek a mandate for investment banking services from Black Dragon Gold Corporation and would hope to receive compensation for investment banking activities for Black Dragon Gold Corporation in 2019 or 2020.

Aside from certain reports published on a periodic basis, the large majority of reports are published by Arrowhead BID at irregular intervals as appropriate in the analyst's judgment.

Any opinions expressed in this report are statements of Arrowhead BID's judgment to this date and are subject to change without notice.

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, any of the financial or other money-management instruments linked to the company and company valuation described in this report, hereafter referred to as "the securities", may not be suitable for all investors.

Investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisers as they deem necessary.

Investors are advised to gather and consult multiple sources of information while preparing their investment decisions. Recipients of this report are strongly advised to read the Information on Arrowhead Methodology section of this report to understand if and

how the Arrowhead Due Diligence and Arrowhead Fair Value Bracket integrate alongside the rest of their stream of information and within their decision-making process.

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Arrowhead Business and Investment Decisions, LLC is not responsible for any loss, financial or other, directly or indirectly linked to any price movement or absence of price movement of the securities described in this report.

9. Notes and References

- ⁱ Source: Bloomberg, retrieved on April 12, 2019
- ⁱⁱ Source: Bloomberg: 26 weeks to April 12, 2019
- ⁱⁱⁱ Source: Bloomberg: 3 months to April 12, 2019
- ^{iv} Source: Bloomberg
- ^v Arrowhead Business and Investment Decisions Fair Value Bracket-AFVBTM. See information on valuation on pages 28-29 of this report and important disclosure on pages 32 of this report
- ^{vi} Source: BDG PEA report: <https://www.asx.com.au/asxpdf/20190211/pdf/442j2mmz383t90.pdf>
- ^{vii} Source: As per NI 43-101 Technical Report Published on October 31, 2018
- ^{viii} Source: As per company financials
- ^{ix} Source: Company website and Company Filings
- ^x Source: Company Filings
- ^{xi} Source: Company Website and Filings
- ^{xii} Source: Company presentation March 2019
- ^{xiii} Source: Company Website
- ^{xiv} Source: ASX and TSX company filings and press releases
- ^{xv} Source: Company Website
- ^{xvi} Source: <https://iclg.com/practice-areas/mining-laws-and-regulations/canada#chaptercontent1>
- ^{xvii} Source: <https://www.gold.org/about-gold/gold-supply/gold-mining/how-much-gold>, <https://minerals.usgs.gov/minerals/pubs/mcs/2018/mcs2018.pdf>, <https://www.gold.org/goldhub/research/gold-investor/gold-investor-september-2017/key-gold-market-statistics>, <https://www.statista.com/statistics/248991/world-mine-reserves-of-gold-by-country/>
- ^{xviii} Source: <https://www.gold.org/goldhub/data/above-ground-stocks>
- ^{xix} Source: <https://www.statista.com/topics/1204/gold/>
- ^{xx} Source: World Gold Council 2018 Report
- ^{xxi} Source: World Gold Council 2018 Report
- ^{xxii} Source: World Gold Council 2018 Report
- ^{xxiii} Source: World Gold Council 2018 Report
- ^{xxiv} Source: World Gold Council 2018 Report
- ^{xxv} Source: <https://www.gold.org/what-we-do/gold-market-structure/market-structure-trends>, <https://www.livemint.com/Money/kX1S8lgbn9Ut2LnozYMQLP/Gold-prices-set-to-soar-over-next-12-months-forecasts-Bank.html>, <https://investinghaven.com/commodities-gold/gold-price-forecast-2019/>
- ^{xxvi} Source: World Gold Council 2018 Report
- ^{xxvii} Source: Bloomberg as of April 12, 2019, and other secondary market research
- ^{xxviii} Source: Company Filings
- ^{xxix} Source: Bloomberg as of April 12, 2019
- ^{xxx} Source: Company Filings